

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2013-201-WS

IN RE: Application of Utilities Services of South Carolina)	REBUTTAL TESTIMONY
Incorporated for Approval of an Increase)	
In its Rates for Water and Sewer Services)	OF
Provided to All of Its Service Areas in)	
South Carolina)	KIRSTEN MARKWELL
_____)	

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS**
2 **ADDRESS FOR THE RECORD.**

3 **A.** My name is Kirsten Markwell. I am employed as a Manager of Regulatory
4 Accounting at Utilities, Inc., 2335 Sanders Road, Northbrook, Illinois 60062.

6 **Q. WHAT IS YOUR PROFESSIONAL BACKGROUND?**

7 **A.** I have been employed by Utilities, Inc. since August of 2002. Since that time
8 I have been involved in several phases of rate-making in many regulatory
9 jurisdictions. I graduated from Coe College in 2001 with a BA in Accounting, and
10 I have passed the CPA exam. I received my MBA from DePaul University in 2011.
11 I had one year of public accounting/auditing experience prior to joining Utilities,
12 Inc., and have successfully completed the utility regulation seminar sponsored by
13 NARUC.

15 **Q. PLEASE EXPLAIN YOUR JOB RESPONSIBILITIES AT UTILITIES, INC.**

16 **A.** My responsibilities include: financial analysis of individual subsidiaries of
17 Utilities, Inc., preparation of rate applications, facilitation of regulatory audits, and
18 the submission of testimony and exhibits to support rate applications. These
19 responsibilities relate specifically to our regulated utilities in Arizona, Florida,

Georgia, Louisiana, Nevada, and South Carolina.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to respond to certain adjustments in the direct testimony of Ivana C. Gearheart in Docket No. 2013-201-WS, related to Utilities Services of South Carolina, Inc.'s (UUSC) application for an increase in rates and charges. Specifically, I will be rebutting adjustments 6, 8, 9, 13, 16, 17, 25, and 27. My colleague, Mac Mitchell will also be rebutting adjustments 6 and 25 in more detail, and I will be discussing items within these adjustments briefly as well. Another colleague of mine, Karen Sasic, will be rebutting adjustment 1. I will also respond to the testimony of Willie J. Morgan regarding the company's performance bond.

Q. DOES USSC AGREE TO ANY OF THE ADJUSTMENTS MADE BY MS. GEARHEART IN ICG-4?

A. Yes, USSC agrees to adjustments 2, 4, 7, 10, 11, 12, 14, 15, 18, 19, 26, 29, 30. Adjustments 3, 5, 20, 21, 22, 23, 24, 28, 32, 33, 34, 35, 36, 37, and 38 are fall out items.

Q. PLEASE DISCUSS YOUR ANALYSIS OF THE MAINTENANCE AND REPAIR ADJUSTMENT, ADJUSTMENT 6 IN ICG-4.

A. ORS proposes to increase water maintenance and repair by \$65,988 and decrease sewer maintenance and repair by \$17,437. USSC has analyzed the individual amounts that make up these totals, and while it agrees with a few of the amounts, it disagrees with several of the others. I will breakdown the adjustment by subcategory and respond to each.

1 • **Items Related to Water Service.**

2 For water, there are three types of items on which USSC and ORS differ.

3 1) ORS proposes to remove \$5,778.56 of invoices booked to USSC for
4 maintenance and repair because ORS believes the invoices were not for services
5 related to the company. USSC has analyzed these invoices and does not challenge
6 the ORS' determination with regard to some of the invoices, but it has confirmed
7 that several of the invoices disallowed by the ORS were incurred for USSC and
8 were properly booked as maintenance and repair expenses. Please see Mac
9 Mitchell's testimony and maintenance and repair exhibit (Mitchell Exhibit 4) for a
10 listing and description of items that should remain in maintenance and repair. Based
11 on this exhibit, only \$3,013.67 should be removed because of expenses incorrectly
12 coded to USSC.

13 2) ORS also proposes to capitalize \$12,424.74 that USSC originally
14 expensed. USSC can only agree that \$3,601.85 of ORS's \$12,424.74 total should
15 have been capitalized. This can also be found on the same exhibit in Mac Mitchell's
16 testimony described above, and this amount has been included on KEM Exhibit C
17 as utility plant in service.

18 3) The remaining issue with the water maintenance and repair relates to
19 items that USSC capitalized and which the ORS proposes to expense. ORS
20 proposed to expense \$84,191 of water invoices that USSC capitalized in 2012.
21 USSC has reviewed these items, and found that only \$1,836 of these invoices should
22 have been expensed. Once again, please find a discussion of these amounts in Mac
23 Mitchell's testimony.

24 • **Items Related to Sewer Service.**

25 For sewer, there are three types of items on which USSC and ORS differ.

26 1) ORS proposes to remove \$452.00 of invoices booked to USSC for
27 maintenance and repair because ORS believes the invoices were not performed in

1 the Company's territory. USSC has analyzed these invoices and has verified that
2 several of them are USSC and should remain in maintenance and repair expense.
3 Please see Mac Mitchell's testimony and Mitchell Exhibit 4 for a listing and
4 description of items that should remain in maintenance and repair. Based on this
5 exhibit, only \$362.50 should be removed because it was incorrectly coded to USSC.

6 2) ORS also proposes to capitalize \$17,401.10 that USSC originally
7 expensed. USSC can only agree that \$676.10 of ORS's \$17,401.10 should have
8 been capitalized. This can also be found on the same exhibit in Mac Mitchell's
9 testimony described above, and this amount has been included on KEM Exhibit C
10 as utility plant in service.

11 3) The remaining issue with the sewer maintenance and repair relates to
12 items that USSC capitalized that ORS proposes to expense. ORS proposed to
13 expense \$416 of water invoices that USSC capitalized in 2012. USSC has reviewed
14 these items, and found that all \$416 of these invoices should have been expensed.
15 Once again, please refer to Mitchell Exhibit 4.

16
17 **Q. WHAT DID USSC DISCOVER WHEN EXAMINING ORS'S CHEMICAL**
18 **ADJUSTMENT, OR ADJUSTMENT 8 IN ICG-4?**

19 **A.** ORS removed a total of \$3,928 of chemical expenses for USSC's test year.
20 This amount is made up of the following:

21

Vendor	Amount
WM Enterprise	\$1,267.50
WM Enterprise	\$2,280.20
Accrual	\$380.40
Total	\$3,928.10

25
26

27 The WM Enterprise invoices were removed because ORS believed they were

1 for USSC's sister company, Carolina Water Service, Inc. The accrual was removed
2 because the actual invoice was paid outside the test year.

3
4 **Q. DOES USSC AGREE WITH ORS'S CHEMICAL ADJUSTMENTS?**

5 USSC agrees with the removal of the accrual and the WM Enterprise invoice
6 in the amount of \$2,280.20. It does not agree with the removal of the remaining
7 WM Enterprise invoice for \$1,267.50. This invoice is for USSC and was issued as
8 such. USSC has included a copy of the invoice and the corresponding purchase
9 order as KEM Exhibit I. The purchase order has a "401" code on it, which indicates
10 that the purchase order is for USSC. Therefore, USSC believes this invoice should
11 remain in test year expenses and that the test year adjustment for chemicals should
12 be \$2,660.60.
13

14 **Q. DOES USSC AGREE WITH ORS'S PROPOSED TRANSPORTATION**
15 **EXPENSE ADJUSTMENT, or adjustment 9 on ICG-4?**

16 **A.** ORS and USSC have minor differences; ORS has an incorrect ERC
17 percentage for the Vac truck, which is causing transportation expense to be inflated.
18 USSC proposes a total transportation expense decrease of \$7,451.
19 .

20 **Q. DO USSC AND ORS AGREE ON ORS'S PROPOSED RATE CASE**
21 **EXPENSE IN ADJUSTMENT 13 ON ICG-4?**

22 **A.** No, they do not. ORS currently proposes annual rate case expense of
23 \$64,819. This includes ORS's allowed amount for the current case as well as the
24 unamortized amount from the prior case, amortized over five years.
25

1 **Q. ARE THERE ANY SUBPARTS OF ORS'S RATE CASE EXPENSE**
2 **CALCULATION TO WHICH THE COMPANY CAN AGREE?**

3 **A.** Yes, USSC can agree to the unamortized balance of \$238,648. USSC can
4 also agree to the reduction of the capitalized time rate for certain employees. This
5 capitalized time reduction amounts to \$2,235.83.
6

7 **Q. CAN YOU DISCUSS THE SUBPARTS OF RATE CASE EXPENSE TO**
8 **WHICH USSC DOES NOT AGREE?**

9 **A.** Yes. First, ORS is only including costs through September 3, 2013. As
10 USSC understands it, this was ORS's cutoff date for rate case expense. However,
11 more costs have been incurred since this date and need to be included in rate case
12 expense. All rate case expenses have been attached as Confidential KEM Exhibit
13 J. It should be noted that USSC plans to update its rate case expense again at the
14 hearing and once more post hearing with the leave of the Commission.

15 Second, ORS's amortization period is three years, while the ORS has
16 proposed a five year amortization. USSC proposes three years, which was the
17 amortization period given in USSC's sister company, Tega Cay's last rate case. In
18 addition, most UI companies are on a three year filing cycle, making three years of
19 amortization reasonable.

20 Third, it appears ORS is excluding \$35 of invoices from Stephanie De La
21 Torriente for continuing property record preparation furnished to ORS in connection
22 with the audit in this case. I mention this minor invoice because it is therefore
23 included in the company's revenue requirement and I want the Commission to be
24 able to match the numbers resulting from my testimony to its exhibits. .
25

1 **Q. WHAT IS USSC’S TOTAL RATE CASE EXPENSE AND WHAT IS THE**
2 **AMORTIZATION EXPENSE PER YEAR?**

3 **A.** USSC proposes a total rate case expense of \$403,074. This expense,
4 amortized over three years, amounts to \$134,358 of O&M expense per year, with
5 \$127,259 attributable to water and \$7,099 attributable to sewer. Please see KEM
6 Exhibit H, w/p [d].
7

8 **Q. DOES USSC HAVE ANY OPINION REGARDING ICG-4, ADJUSTMENT**
9 **15?**

10 **A.** Yes. USSC can agree with ORS’s minor rent adjustment but notes that the
11 reason for the adjustment is because ORS believes a portion of the rent should be
12 shared with United Utility Companies, Inc. (“United”). However, USSC notes that
13 ORS did not include United’s portion of the rent expense in that company’s pending
14 rate case in which ORS filed direct testimony. USSC believes that if USSC’s costs
15 are going to be shared, with United, it is only fair and reasonable that ORS
16 recommend an adjustment to include United’s portion of the expense in that
17 company’s rate case as well.
18

19 **Q. WHAT DISAGREEMENTS DOES THE COMPANY HAVE WITH ORS IN**
20 **ITS MISCELLANEOUS EXPENSE ADJUSTMENT FOR NON-**
21 **ALLOWABLE EXPENSES? (ADJUSTMENT 16 ON ICG-4).**

22 **A.** ORS is disallowing the Company’s leak mitigation adjustment. The
23 Company can agree that no leak mitigation adjustment should be included for sewer,
24 and has removed that proposed expense from its income statement. However, USSC
25 believes that a leak mitigation adjustment for water is warranted and needed.
26

1 **Q. HOW WOULD THIS LEAK MITIGATION ADJUSTMENT WORK?**

2 **A.** USSC proposed an adjustment equal to 0.5% of its revenues be allowed as
3 an expense to mitigate the cost associated with giving a customer a bill adjustment
4 for leaks. Right now, the policy across Utilities, Inc. is to not provide any billing
5 adjustments unless the Company is in error, either in its billing or in its operations.
6 A customer calling asking for an adjustment to their water bill for, as an example,
7 their toilet running excessively, will not receive any bill relief. However, if USSC
8 had a leak mitigation fund, it could provide adjustments for customers of USSC up
9 to the amount it is recovering through rates for the leak mitigation fund. This would
10 help ease customer bills and could reduce any potential customer complaints to ORS
11 or to the Commission regarding leaks.

12 USSC proposes 0.5% because it believes it has to start somewhere. If USSC
13 had the leak mitigation fund, it could begin to track phone calls and dollars
14 associated with leaks. USSC could then adjust the fund up or down in future rate
15 proceedings. In order to allay the ORS's concerns about overcollection in this fund,
16 Patrick Flynn has proposed to reduce the fund to .25% of revenues in his rebuttal
17 testimony. In its current case, USSC would also propose that if the funds were not
18 fully used on an annual basis, the difference would be recorded as CIAC, as a
19 reduction to rate base to benefit all customers. For example, if USSC had a leak
20 mitigation fund of \$5,000 and provided bill adjustments of \$4,500 in a given year,
21 \$500 would be transferred to CIAC at year end.

22
23 **Q. ARE THERE OTHER AMOUNTS IN ORS'S MISCELLANEOUS**
24 **ADJUSTMENT THAT YOU WOULD LIKE TO DISCUSS?**

25 **A.** Yes. USSC can agree with the removal of entertainment costs associated
26 with travel (\$509), nonallowable office utilities (\$429), and nonallowable
27 memberships (\$195). However, USSC does note that several of the office utility

costs that were removed by ORS because a portion of the costs belonged to United. However, ORS did not allow for these expenses in United's current rate case.

Q. DOES USSC AGREE WITH ORS'S CUSTOMER GROWTH ADJUSTMENT, OR ADJUSTMENT 24 ON ICG-4?

A. No, it doesn't. ORS has projected customer growth of 0.029% (14 customers since the test year) for water service, and no growth for wastewater service. ORS proposes a customer growth amount for the test year of \$105. This number would vary proportionately based on the net operating income set by the Commission. USSC nevertheless believes a customer growth adjustment is not necessary at all. ORS's growth adjustment assumes that the growth in the test year will continue going forward. In other words, it assumes customers that don't currently exist are going to generate revenue.

USSC proposes no growth adjustment, as there is no evidence that growth will occur.

Q. THE PLANT IN SERVICE ADJUSTMENT IS ADJUSTMENT 25 ON ICG-4. OF WHAT DOES THIS ADJUSTMENT CONSIST?

A. This adjustment consists of adjustments to transportation, retirements, capitalized time, capital projects, and computers. I will discuss each of these adjustments separately, although I will not be providing detailed discussion on ORS's capitalized time adjustment, computer adjustment, prior rate case adjustment, missing invoices adjustment, or pro forma plant adjustment because USSC is agreeing to those adjustments.

1 **Q. DOES USSC AGREE WITH THE TRANSPORTATION PORTION OF**
2 **ORS'S GROSS PLANT IN SERVICE ADJUSTMENT?**

3 **A.** USSC does not agree fully with ORS's transportation. ORS has an incorrect
4 allocation for a vac truck. Based on how the vac truck is used, USSC believes ORS
5 had a small error in their ERC calculations, and that the ERC numerator and
6 denominator for the vac truck should be 355 and 32,228.1, respectively.

7 USSC believes the decrease to the balance for vehicles for the test year
8 should be \$43,083 for water and \$7,694 for sewer. In addition, the accumulated
9 depreciation balance for vehicles in the test year should decrease (debit to A/D) by
10 \$90,385 for water and \$6,914 for sewer. Test year depreciation expense for vehicles
11 should decrease by \$15,408 for water and by \$1,659 for sewer.

12 USSC also notes that ORS used a 72 month service life for vehicles in the
13 United case, but only a 48 month service life in USSC. USSC has adopted the 72
14 month service life, which is consistent with the service life of the United vehicles
15 and also consistent with how long the company typically keeps vehicles.

16
17 **Q. EXPLAIN WHAT CAPITAL PROJECT IMPROVEMENTS WERE**
18 **INCLUDED BY USSC IN ITS APPLICATION BUT EXCLUDED BY ORS.**

19 **A.** USSC included several capital project improvements in its application, for
20 projects it completed between 2007 and 2011. ORS excluded several capitalized
21 time entries from USSC's old accounting system because it could not tie the
22 capitalized time back to an employee. ORS also excluded a few invoices because
23 USSC was unable to locate these invoices. These two exclusions total \$67,014, and
24 USSC can agree to these exclusions. The remaining \$248,549 that ORS excluded
25 are invoices incurred by the company between 2008 and 2011 for capital projects.
26

1 **Q. DOES USSC AGREE WITH ORS ON THE EXCLUSION OF THE \$248,549**
2 **IN CAPITAL PROJECT IMPROVEMENTS MADE BETWEEN 2008 AND**
3 **2011?**

4 **A.** No. ORS gives no reason for exclusion of these invoices. These invoices
5 were provided to ORS during the audit and should be included for ratemaking.
6 These invoices clearly have been designated as invoices for USSC or can be tied to
7 a purchase order made for USSC.
8

9 **Q. DID ORS PROPOSE TO EXPENSE ANY OF USSC'S CAPITALIZED**
10 **ITEMS?**

11 **A.** Yes, there were several items that USSC capitalized that ORS proposes to
12 expense or remove from rate base. I will go through these year by year for 2007
13 through 2012.

14 For 2007, ORS proposes to expense \$183,139 of water capital spent and
15 \$8,967 of sewer capital spent. USSC has reviewed ORS's proposal, and agrees that
16 \$20,254.71 of water invoices should have been expensed. Another \$13,094.81 of
17 the water invoices should have been coded to Carolina Water Service, Inc. a sister
18 company to USSC. The remaining amount of \$158,756.83 should remain
19 capitalized, of which \$148,406.46 is water and \$10,350.37 is sewer.

20 For 2008, ORS proposes to expense \$100,277 of water capital spent and
21 \$12,266 of sewer capital spent. USSC has reviewed ORS's proposal, and agrees
22 that \$16,012.28 of water invoices should have been expensed and \$729.70 of sewer
23 invoices should have been expensed. Another \$9,251.22 of the water invoices
24 should have been coded to Carolina Water Service, Inc. a sister company to USSC.
25 The remaining amount of \$86,549.57 should remain capitalized, of which
26 \$75,013.04 is water and \$11,536.53 is sewer.

27 For 2009, ORS proposes to expense \$181,098 of water capital spent and

1 \$6,541 of sewer capital spent. USSC has reviewed ORS's proposal, and agrees that
2 \$28,791.79 of water invoices should have been expensed and \$3,003.37 of sewer
3 invoices should have been expensed. The remaining amount of \$155,843.25 should
4 remain capitalized, of which \$152,305.85 is water and \$3,537.40 is sewer.

5 For 2010, ORS proposes to expense \$227,402 of water capital spent and
6 \$12,080 of sewer capital spent. USSC has reviewed ORS's proposal, and agrees
7 that \$12,445.90 of water invoices should have been expensed and \$2,789.07 of
8 sewer invoices should have been expensed. Another \$1,672.18 of the water invoices
9 and \$223.74 of the sewer invoices should have been coded to Carolina Water
10 Service, Inc. a sister company to USSC. The remaining amount of \$222,352.83
11 should remain capitalized, of which \$213,283.90 is water and \$9,066.93 is sewer.

12 For 2011, ORS proposes to expense \$129,604 of water capital spent and
13 \$2,789 of sewer capital spent. USSC has reviewed ORS's proposal, and agrees that
14 \$2,200.10 of water invoices should have been expensed and \$183.97 of sewer
15 invoices should have been expensed. Another \$44,556.34 of the water invoices
16 should have been coded to Carolina Water Service, Inc. a sister company to USSC.
17 The remaining amount of \$85,452.19 should remain capitalized, of which
18 \$82,847.40 is water and \$2,604.79 is sewer.

19 For 2012, ORS proposes to expense \$84,191 of water capital spent and \$416
20 of sewer capital spent. USSC has reviewed ORS's proposal, and agrees that
21 \$1,836.22 of water invoices should have been expensed and \$416.00 of sewer
22 invoices should have been expensed. The remaining amount of \$82,354.67 should
23 remain capitalized, of which all is water.

24 Also in 2012, ORS proposes to remove \$13,365 as disallowed plant. As
25 further discussed in Mac Mitchell's testimony, this plant is related to USSC and is
26 benefiting USSC customers, with the exception of \$1,218.45 of water capital which
27 should be expensed. The remaining \$12,146.42 should be capitalized, of which

1 \$10,146.42 is water and \$2,000 is sewer.

2 The amounts to remain capitalized are presented and supported in the
3 testimony of my colleague, Mac Mitchell.

4
5 **Q. WHY IS IT SO IMPORTANT TO USSC THAT ASSETS IT BELIEVES TO**
6 **BE PROPERLY CAPITALIZED REMAIN CAPITALIZED?**

7 **A.** USSC sets budgets annually for revenue, capital, and expense. USSC
8 follows the Uniform System of Accounts Rules for capitalization. Items extending
9 the life of the asset are capitalized. Regarding Utility Plant in Service, the Uniform
10 System of Accounts states, "This account shall include the original cost of utility
11 plant included in the plant accounts prescribed herein and in similar accounts for
12 other utility departments, owned and used by the utility in its utility operations, and
13 having an expected life in service of more than one year from date of installation."

14 When dollars spent as capital are subsequently incorrectly classified as
15 expense, companies such as USSC have more expenses in their financial statements
16 than what were budgeted, and more importantly, more expenses in their financials
17 than what may be seemingly healthy for the utility. This inflated expense number
18 distorts the net income of the Company.

19
20 **Q. DOES USSC AGREE WITH THE RETIREMENTS ORS MADE FOR**
21 **PURDY SHORES AND FOXWOOD?**

22 **A.** No. ORS is attempting to retire the entire system in both Purdy Shores and
23 Foxwood. This is not correct. Only the treatment plant was taken offline, therefore
24 only the treatment plant should be retired.

25
26 **Q. HOW SHOULD THE PURDY SHORES AND FOXWOOD RETIREMENTS**
27 **BE HANDLED?**

1 **A.** ORS is proposing to write off the net book value of the retired plant. USSC
2 believes the net book value of the plant should be written off the books, but a
3 corresponding expense for an extraordinary retirement should be included. This
4 extraordinary retirement should be amortized for 10 years with no carrying costs.
5 This gives the utility an opportunity to recover dollars that were prudently invested
6 at the time the investment was made without having to lose recovery forever. The
7 additional expense being added is \$30,284 annually for water and has been included
8 as miscellaneous expense on USSC's income statement.

9
10 **Q. DOES USSC AGREE WITH ADJUSTMENT 26 FROM ICG-4?**

11 **A.** Yes, for purposes of this proceeding, USSC can agree with ORS's adjustment
12 to increase Utility Plant in Service by \$121,749 for water and \$20,325 for sewer.

13
14 **Q. ORS AND USSC HAVE DIFFERENCES IN THEIR DEPRECIATION**
15 **CALCULATIONS. PLEASE EXPLAIN. THESE ARE ADJUSTMENTS 17**
16 **AND 27.**

17 **A.** USSC and ORS were able to agree on depreciation expense for items in plant
18 to which they agreed, including some capital to expense items, some capital
19 improvements that should be excluded, and general ledger additions. All utility
20 plant that USSC is including for ratemaking is depreciated at 1.5%. USSC can also
21 agree to ORS's computer depreciation expense adjustment and has only minor
22 differences in the vehicle depreciation expense adjustment. USSC should note that
23 one difference it does have is from ORS depreciating allocated plant at 1.5%.
24 Allocated plant consists of assets in Northbrook, such as our headquarters building,
25 desks and office furniture, which carry its own depreciation rate. Since ORS is not
26 disallowing any allocated plant, the allocated depreciation expense from
27 headquarters should be allowed, per books.

1 The major cause of the difference in the A/D amounts is due to the large plant
2 difference in what USSC believes should remain as capital and what ORS is
3 proposing USSC expense.

4 All these adjustments sum to a total depreciation expense adjustment of
5 (\$30,007) for water and (\$1,959) for sewer. Supporting calculations for total
6 depreciation expense can be found on KEM Exhibit H, w/p [f].
7

8 **Q. HOW DOES ACCUMULATED DEPRECIATION DIFFER BETWEEN ORS**
9 **AND USSC?**

10 **A.** Similar to ORS's depreciation expense adjustment, there are discrepancies
11 that arise due to differences in plant balances. After all adjustments, total
12 accumulated depreciation amounts to \$2,150,958 for water and \$54,282 for sewer.
13 Supporting calculations for total accumulated depreciation can be found on KEM
14 Exhibit H, w/p [f/1].
15

16 **Q. BASED ON THE ADJUSTMENTS ABOVE, WHAT IS THE FINAL**
17 **ADJUSTED NET OPERATING INCOME FOR RETURN AT PRESENT**
18 **RATES?**

19 **A.** Based on the above, the Commission should determine the net operating
20 income for return to be \$333,348 for water and loss of \$400 for sewer. These
21 amounts can be found on KEM Exhibit B, pages 2 and 3, under the pro forma present
22 column.
23

24 **Q. BASED ON THE ADJUSTMENTS ABOVE, WHAT IS THE FINAL**
25 **ADJUSTED NET OPERATING INCOME FOR RETURN AT PROPOSED**
26 **RATES?**

27 **A.** Based on the above, the Commission should determine the net operating

1 income for return to be a \$962,535 for water and income of \$46,060 for sewer.
2 These amounts can be found on KEM Exhibit B, pages 2 and 3, under the pro forma
3 proposed column.
4

5 **Q. BASED ON THE ADJUSTMENTS ABOVE, WHAT IS THE FINAL RATE**
6 **BASE?**

7 **A.** Based on the above, the Commission should include \$10,923,079 as total rate
8 base for water and \$871,139 as total rate base for sewer. These amounts can be
9 found on KEM Exhibit C, pages 2 and 6.
10

11 **Q. FINALLY, CAN USSC AGREE WITH INCREASING ITS PERFORMANCE**
12 **BOND FROM \$150,000 TO \$220,000?**

13 **A.** Yes, USSC can agree to a bond increase.
14

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 **A.** Yes, it does.